

Algebris Financial Income Fund (UCITS)

August 2015 Factsheet

Fund Terms	
Size (€):	239m
Domicile:	Ireland
Retail Share Classes:	
R (Accumulating)	
Rd (Distributing)	
Liquidity:	Daily
Management Fee:	1.80%
Incentive Fee:	None
Bloomberg Ticker:	
AFIREUR ID / AFCIRDE ID	
ISIN (R/Rd EUR Share Classes):	
IE00BCZQ7T48 /	
IE00BCZNX202	
Data as of 31.08.2015	

Fund Objective

The Algebris Financial Income Fund can invest in the capital structure of financial companies globally, in both equities and fixed income.

The objective of the Fund is to maximise income and generate superior risk adjusted returns over an investment cycle by investing in high dividend yielding stocks and bonds.

Furthermore, the Investment Manager aims to identify mispricing opportunities to generate capital appreciation of the Fund through fundamental bottom up analysis of a company's intrinsic value.

The Fund invests in equities and subordinated debt capital instruments of financial institutions globally, including hybrid capital instruments, preference shares and contingent convertible bonds (CoCos), with fixed and variable interest rates, which may be rated investment grade or below investment grade.

Investment in the Fund may be suitable for investors with a medium to long term investment horizon.

*Index returns in constant currency :USD.

Fund Information	
No. of Bonds/ No. of Issuers	56/29
No. of Stocks	52
Duration of Bond Allocation	4.6 yrs
Av. Rating of Bond Allocation	BB+
Bonds: Gross Yield to Worst	6.6%
Equity: Gross Dividend Yield	3.6%
Fund: Gross Yield	4.7%

Source: Bloomberg LP, Algebris Investments (UK) LLP

Performance Analytics	
Return Since Inception	22.6%
Annualised Return	10.7%
Annualised Volatility	6.7%
Sharpe Ratio	1.5

Note: Figures based on net returns for B EUR (Accumulating) class assuming admin, management and excluding ADL (Anti-Dilution Levy – currently 12.5bps). The actual price at which an investor subscribes or redeems shares in the fund will vary, depending on the swung price based on the ADL applied on the day in question. Further information is contained in the Prospectus. Inception date: 13 August 2013.

Source: Bloomberg LP, Algebris Investments (UK) LLP

Performance Information (Net) % – B EUR (Accumulating)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2013								-1.41	1.48	4.05	2.08	2.32	8.69
2014	0.49	2.89	1.32	-0.28	0.48	0.35	-0.25	1.23	-1.13	0.50	1.58	-0.66	6.63
2015	0.82	4.48	1.91	1.08	1.14	-1.89	1.55	-3.27					5.78

Please see note above. Figures are available on Bloomberg, daily.

Source: HSBC Securities Services (Ireland) Ltd, Algebris Investments (UK) LLP

Commentary

- The Algebris Financial Income Fund returned -3.27 % in August and 5.78% YTD. Top contributors to the fund were hedge positions in various equity indices and a long position in Hercules Technology Growth. Detractors to performance were positions in Carlyle Group, KKR, and Unipol Gruppo Finanziario
- Equity market volatility surrounding Greece's potential default in early July already seems a distant memory. We began to build up the European book in selected financials following this event, which led to good performance in July. By the middle of August though, markets got surprised by the Chinese devaluing the yuan. Investors became more concerned about declining growth in China and some of the potential collateral impacts. This quickly spilled over to Asia and other EM countries who saw their currencies under intense pressure. The 'ripple' in markets soon built into a tsunami roiling equity markets globally as this became a generalised growth scare
- The S&P ended August down more than 6%, its worst performance since 2012, whilst the Eurostoxx fell a massive 9%, its worst one month performance since the Eurozone crisis back in 2011. The VIX (volatility) index spiked hugely, whilst the US 10 year treasury ended the month close to where it begun – basically this volatility hardly impacted the bond market
- Our market hedges were key contributors to performance in this environment, whilst our long book got dragged down in the turmoil. Perhaps the surprise was how little was spared in the global equity markets – there were no hiding places. As part of our risk management process, we had built up a relatively sizeable book of out-of-the-money put options. With the pull-back in the markets we decided to monetize a sizeable part of this book. Regionally we were up in the US, gave back our gains of July in Europe and although we had a relatively scaled back book in Asia we still got hit modestly
- Looking across geographies, there was a strong degree of correlation in the market sell-off. Almost every subgroup was -7% to -9% with US REITS and Canadian banking holding up better (-5% to -6%)
- The Shanghai Composite and Hang Seng both ended the month ~12% lower. Three consecutive months of losses for the Shanghai Composite has brought the index back to pretty much flat for the year despite being up nearly as much as 60% in the middle of June. For the Hang Seng, August was the biggest monthly decline in nearly 4 years. We are becoming marginally more constructive in China. Having sold all of our exposure in the fund earlier this year, we are now coming across oversold (Hong-Kong listed) companies where we see the risk/reward as attractive
- On our highest conviction ideas, we took advantage of the volatility and pullback in the markets to build up a number of positions. Several of our holdings across the regions were built-up to closer to full sized positions. As we look to year-end we would hope that they will contribute decently to performance. In general, the Fund's allocation to the equity bucket has increased at the expense of cash over the past several weeks.

Contact us

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Commentary - continued

- Turning now to the credit markets, both US IG and HY recorded negative excess returns. The total return for High grade bonds in August was -0.44%, HY bonds returned -1.94%, EM corporates returned -1.74% and EM sovereigns returned -1.08%.
- US credit markets remain gripped by the Fed's possible lift off. The July employment report (released in August - jobs +215k, unemployment rate unchanged at 5.3%) led rates markets to price in a better than 50% chance of a September lift-off. However, subsequent dovish FOMC minutes, the remnibi devaluation, China growth concerns, fears of a global growth slowdown, and a sharp global equity market selloff have seen this probability repriced closer to 30%.
- In assessing the state of the market, what didn't happen is perhaps as interesting as the ramp up in volatility. The credit market remained relatively orderly, with IG spreads opening up approximately 20bps, but at 150bps or so staying well off the highs of 230bps that we saw in the 2011 crisis. That this happened in a month where liquidity is below average is notable, in our view. High yield spreads remain elevated, but are again about 200bps off the highs seen in the 2011 crisis. So for now at least, credit markets are not signalling the same level of panic evident in the VIX and equity markets.

Top 5 Equity Holdings

Rank	Issuer name
1	Carlyle Group
2	BNP Paribas
3	Lloyds
4	Orix Corp
5	SMFG

Source: Algebris Investments (UK) LLP

Top 5 Bond Holdings

Rank	Issuer name
1	Santander
2	Barclays
3	Lloyds
4	Citigroup
5	UBS

Source: Algebris Investments (UK) LLP

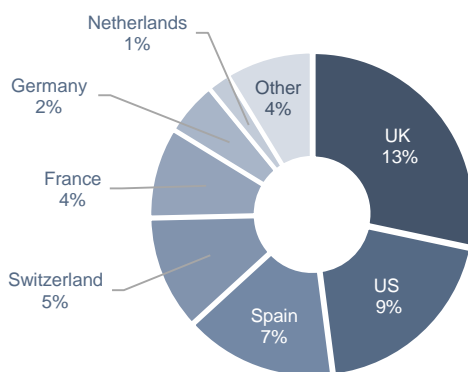
Portfolio Composition (Asset Allocation)

	Allocation
Equities	53.4%
Bonds	45.0%
Hedges (delta)	-9.4%

Exposure is calculated on a delta adjusted basis for option positions and on a full notional basis for all other instruments.

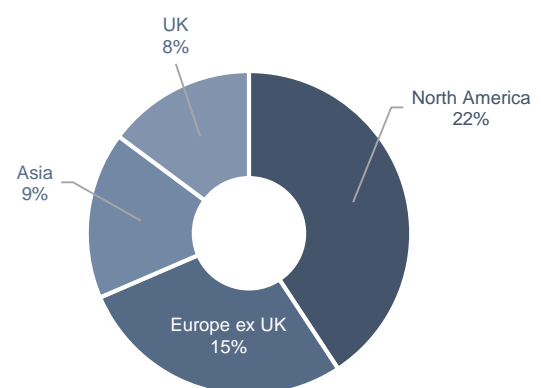
Source: Algebris Investments (UK) LLP

Bonds – Exposure by Country



Allocation may not add up to 100% due to rounding.
Source: Algebris Investments (UK) LLP

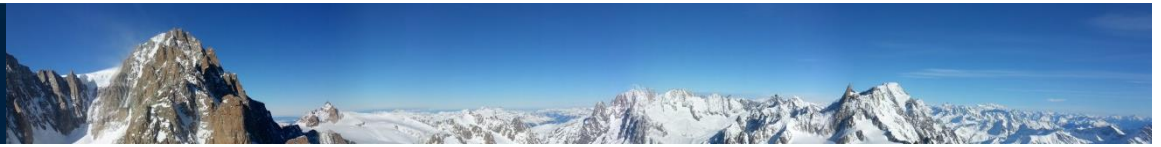
Equities – Exposure by Region



Allocation may not add up to 100% due to rounding.
Source: Algebris Investments (UK) LLP

About Algebris

Algebris Investments (UK) LLP is an investment manager specialised in the global financial sector. Algebris invests across the capital structures of financial institutions, in both credit and equity, on behalf of long only and hedged strategies. Algebris has a team of 15 investment professionals and manages ~\$2.6bn, split between credit and equity investments (data as of 31 August 2015). With offices in London, Singapore, Boston and Milan, it is registered with the SEC, MAS and the FCA. Affiliated to TCI Fund Management Limited.



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Fund Details

Share Class				Identifiers	
Class	CCY	Min Investment	Launch Date	ISIN	BBG ticker
I	EUR	€ 500,000	10/10/13	IE00BCZNWT08	AFIIEUR ID
	GBP	GBP equivalent of €500,000	N/A	IE00BCZNWW37	AFCIIGB ID
	USD	USD equivalent of €500,000	1/8/14	IE00BCZNWX44	AFCIIUS ID
	CHF	CHF equivalent of €500,000	N/A	IE00BCZNWV20	ALGFIIC ID
	SGD	SGD equivalent of €500,000	N/A	IE00BYYJYN11	N/A
R	EUR	€ 10,000	18/9/13	IE00BCZQ7T48	AFIREUR ID
	GBP	GBP equivalent of €10,000	N/A	IE00BCZNX194	AFCIRGB ID
	USD	USD equivalent of €10,000	N/A	IE00BYYJYJ74	N/A
	CHF	CHF equivalent of €10,000	4/12/13	IE00BCZQ7S31	AFIRCHF ID
	SGD	SGD equivalent of €10,000	N/A	IE00BYYJYJ74	N/A
ID	EUR	€ 500,000	3/10/13	IE00BCZNWY50	AFIIDEU ID
	GBP	GBP equivalent of €500,000	N/A	IE00BCZNX087	AFCIDGBP ID
	USD	USD equivalent of €500,000	29/11/13	IE00BCZQ7R24	AFCIDUS ID
	CHF	CHF equivalent of €500,000	N/A	IE00BCZNWZ67	AFCIDCH ID
	SGD	SGD equivalent of €500,000	N/A	IE00BYYJYP35	N/A
RD	EUR	€ 10,000	1/4/14	IE00BCZNX202	AFCIRDE ID
	GBP	GBP equivalent of €10,000	N/A	IE00BCZNX319	AFCIRDG ID
	USD	USD equivalent of €10,000	N/A	IE00BYYJYM04	N/A
	CHF	CHF equivalent of €10,000	N/A	IE00BD3D0179	AFCRDCH ID
	SGD	SGD equivalent of €10,000	N/A	IE00BYYJYM04	N/A

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